



THE

# LIVINGSTON SURVEY

Release Date: June 9, 2009

## JUNE 2009

### *Modest Growth, Higher Unemployment Predicted for Second Half of 2009*

The 32 participants in the June Livingston Survey have lowered their estimates of output growth through 2009. The forecasters, who are surveyed by the Federal Reserve Bank of Philadelphia twice a year, project that the economy's output (real GDP) will fall at an annual rate of 3.9 percent in the first half of 2009 and then rise by 1.1 percent in the second half. Both of these estimates are lower than those of the previous survey. Growth for the first half of 2010 is predicted to improve to 2.6 percent.

Projections for the unemployment rate have been revised upward throughout 2009 and are expected to remain high into the middle of 2010. The forecasters predict that the unemployment rate will be 9.3 percent in June 2009 and will rise to 9.9 percent in December 2009. The unemployment rate in the middle of 2010 is expected to be 9.8 percent. On an annual average basis, the unemployment rate is expected to be 9.1 percent in 2009 and 9.7 percent in 2010.

	<i>Growth Rate of Real GDP (%)</i>			<i>Unemployment Rate (%)</i>	
	<i>Previous</i>	<i>New</i>		<i>Previous</i>	<i>New</i>
<i>Half-year data:</i>					
2008 Q4 to 2009 Q2	-0.9	-3.9	June 2009	7.6	9.3
2009 Q2 to 2009 Q4	1.8	1.1	December 2009	7.8	9.9
2009 Q4 to 2010 Q2	N.A.	2.6	June 2010	N.A.	9.8

### *Inflation Predictions Revised Downward*

The forecasters have lowered their predictions for consumer price (CPI) inflation over the next six months to 1.4 percent, compared to 2.1 percent from the survey of six months ago. On an annual average basis, CPI inflation is expected to be -0.7 percent in 2009 and 1.7 percent in 2010, both lower than the previous estimates of 0.5 percent and 2.1 percent, respectively. Producer price (PPI) inflation is expected to be -3.6 percent in 2009 and then rise to 1.3 percent in 2010, compared to the previous estimates of -0.8 percent and 1.1 percent, respectively.

	<i>CPI Inflation (%)</i>		<i>PPI Inflation (%)</i>	
	<i>Previous</i>	<i>New</i>	<i>Previous</i>	<i>New</i>
<i>Annual average data:</i>				
2008 to 2009	0.5	-0.7	-0.8	-3.6
2009 to 2010	2.1	1.7	1.1	1.3

***Projections for Interest Rates Revised Downward***

The forecasts for interest rates on three-month Treasury bills and 10-year Treasury notes have fallen from those made six months ago. The interest rate on three-month Treasury bills is expected to be 0.20 percent at the end of June, down from the previous estimate of 0.50 percent. It is then expected to rise to 0.30 percent by the end of 2009. The interest rate for 10-year Treasury notes is expected to be 3.35 percent at the end of June, down from the previous estimate of 3.50 percent. It is then expected to rise to 3.75 percent by the end of 2009, lower than the previous estimate of 4.00 percent.

	<i>3-Month Treasury Bill</i>		<i>10-Year Treasury Bond</i>	
	<i>Interest Rate</i>		<i>Interest Rate</i>	
	<i>Previous</i>	<i>New</i>	<i>Previous</i>	<i>New</i>
June 30, 2009	0.50	0.20	3.50	3.35
Dec. 31, 2009	1.00	0.30	4.00	3.75
June 30, 2010	N.A.	0.54	N.A.	4.00
Dec. 31, 2010	2.45	1.19	4.70	4.28

**2009 Livingston Survey Participants**

<b>S. Anderson</b>	<b>Wells Fargo and Company</b>	<b>D. Maki</b>	<b>Barclays Capital</b>
<b>E. Beeson Zentner</b>	<b>Bank of Tokyo-Mitsubishi, Ltd.</b>	<b>E. McKelvey</b>	<b>Goldman Sachs</b>
<b>R. Berner</b>	<b>Morgan Stanley &amp; Co.</b>	<b>M. Moran</b>	<b>Daiwa Securities America</b>
<b>J. Butkiewicz</b>	<b>University of Delaware</b>	<b>J. Mueller</b>	<b>LBMC, LLC</b>
<b>J. Carson</b>	<b>Alliance Capital Management</b>	<b>F. Nothaft</b>	<b>Federal Home Loan Mortgage Corp.</b>
<b>R. Chase</b>	<b>Chase Economics</b>	<b>M. Regalia</b>	<b>U.S. Chamber of Commerce</b>
<b>R. Dhawan</b>	<b>Georgia State University</b>	<b>D. Seiders</b>	<b>National Association of Home Builders</b>
<b>M. Englund</b>	<b>Action Economics, LLC</b>	<b>J. Silvia</b>	<b>Wachovia Corporation</b>
<b>S. Gallagher</b>	<b>Societe Generale</b>	<b>A. Sinai</b>	<b>Decision Economics, Inc.</b>
<b>K. Goldstein</b>	<b>The Conference Board</b>	<b>J. Smith</b>	<b>Parsec Financial Management, Inc.</b>
<b>J. Gonzalez</b>	<b>Tennessee Valley Authority</b>	<b>S. Snaith</b>	<b>University of Central Florida</b>
<b>B. Horrigan</b>	<b>Loomis Sayles &amp; Co.</b>	<b>S. Stanley</b>	<b>RBS Greenwich Capital</b>
<b>P. Hooper</b>	<b>Deutsche Bank</b>	<b>D. Torgerson</b>	<b>USDA</b>
<b>D. Knop</b>	<b>Williams Gas Pipeline Corp.</b>	<b>B. Wesbury</b>	<b>First Trust Advisors, L.P.</b>
<b>T. Lam</b>	<b>United Overseas Bank, Ltd.</b>	<b>R. Yamarone</b>	<b>Argus Research Group</b>
<b>E. Leamer</b>	<b>University of California, Los Angeles</b>	<b>L. Yun</b>	<b>National Association of Realtors</b>
<b>J. Lonski</b>	<b>Moody's Investors Service, Inc.</b>		

### ***Slight Change in the Long-Term Outlook***

The forecasters' predictions of long-term output growth are slightly higher, while their predictions for long-term inflation continue to hold steady. The panelists think that real GDP will grow 2.7 percent annually over the next 10 years, up from 2.6 percent in the previous survey. Inflation (measured by the consumer price index) is expected to average 2.5 percent over the next 10 years, unchanged from the last 15 surveys dating back to December 2001.

### ***Stock-Price Projections Revised Downward***

The projected value for the S&P 500 index is 935.8 for the end of June and is expected to rise to 1000.0 by the end of 2009, below the previous estimates of 950.0 and 1052.5, respectively. The index is expected to finish 2010 at 1115.0, also short of the previous estimate of 1165.0.

#### *Stock Prices (end of year)*

##### *S&P 500 Index*

##### *Previous      New*

June 30, 2009	950.0	935.8
Dec. 31, 2009	1052.5	1000.0
June 30, 2010	N.A.	1049.4
Dec. 31, 2010	1165.0	1115.0

### ***Technical Notes***

This news release reports the median value across the 32 forecasters on the survey's panel.

The Philadelphia Fed's Livingston Survey is the oldest continuous survey of economists' expectations. The survey was started in 1946 by the late columnist Joseph A. Livingston. It summarizes the forecasts of economists from industry, government, banking, and academia. It is published twice a year, in June and December.

To subscribe to the survey, go to: [http://www.philadelphiafed.org/philscriber/user/dsp\\_content.cfm](http://www.philadelphiafed.org/philscriber/user/dsp_content.cfm). This four-page write-up contains partial results of the survey; more detailed tables are available. These tables can be accessed on the Internet at: <http://www.philadelphiafed.org/research-and-data/real-time-center/livingston-survey/>.

LIVINGSTON SURVEY  
MAJOR MACROECONOMIC INDICATORS, 2009-2010

QUARTERLY INDICATORS (percentage changes at annual rates)	Q4 2008 TO Q2 2009	Q2 2009 TO Q4 2009	Q4 2009 TO Q2 2010	2008 TO 2009	2009 TO 2010
Real Gross Domestic Product	-3.9	1.1	2.6	-2.8	1.9
Nominal Gross Domestic Product	-2.2	2.7	4.1	-1.2	3.6
Nonresidential Fixed Investment	-27.7	-8.4	1.6	-19.5	-1.9
Corporate Profits After Taxes	-3.8	5.7	9.7	-11.6	7.5
MONTHLY INDICATORS (percentage changes at annual rates)	DEC 2008 TO JUN 2009	JUN 2009 TO DEC 2009	DEC 2009 TO JUN 2010	2008 TO 2009	2009 TO 2010
Industrial Production	-11.4	0.0	2.8	-10.9	1.0
Producer Prices - Finished Goods	1.1	1.6	2.1	-3.6	1.3
Consumer Price Index (CPI-U)	1.6	1.4	2.1	-0.7	1.7
Average Weekly Earnings in Mfg.	-6.7	0.5	1.9	-2.2	1.0
Retail Trade	1.4	3.1	6.0	-7.0	3.9
(levels of variables)	JUN 2009	DEC 2009	JUN 2010	2009	2010
Total Private Housing Starts (annual rate, millions)	0.494	0.574	0.704	0.522	0.753
Unemployment Rate (percent)	9.3	9.9	9.8	9.1	9.7
Automobile Sales (incl. foreign) (annual rate, millions)	4.9	5.4	5.9	5.0	6.1
FINANCIAL INDICATORS (levels of variables at end of month)	JUN 2009	DEC 2009	JUN 2010	DEC 2010	
Prime Interest Rate	3.25	3.25	3.42	4.13	
10-Year Treasury Note Yield	3.35	3.75	4.00	4.28	
3-Month Treasury Bill Rate	0.20	0.30	0.54	1.19	
Stock Prices (S&P500)	935.8	1000.0	1049.4	1115.0	
LONG-TERM OUTLOOK					
Average Annual Growth Rate for the Next Ten Years					
Real GDP	2.7				
Consumer Price Index	2.5				

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, June 2009

# **LIVINGSTON SURVEY**

**June 2009**

**Tables**

**Note: Data in these tables listed as “actual” are the data that were available to the forecasters when they were sent the survey questionnaire on May 20; the tables do not reflect subsequent revisions to the data. All forecasts were received on or before June 3.**

TABLE ONE  
MAJOR MACROECONOMIC INDICATORS, 2009-2010  
MEDIAN OF FORECASTER PREDICTIONS

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	ACTUAL	FORECASTS		ACTUAL	FORECASTS		
		2008 Q4	2009 Q2	2009 Q4	2010 Q2	2008	2009	2010
1. Real Gross Domestic Product (billions, chain weighted)	32	11522.1	11294.3	11357.0	11503.3	11652.0	11330.0	11545.6
2. Nominal Gross Domestic Product (\$ billions)	32	14200.3	14041.4	14227.8	14518.7	14264.6	14094.2	14598.0
3. Nonresidential Fixed Investment (billions, chain weighted)	30	1341.1	1140.3	1091.2	1099.7	1405.4	1131.9	1110.1
4. Corporate Profits After Taxes (\$ billions)	22	1001.2	982.2	1009.7	1057.7	1109.9	981.2	1054.9
MONTHLY INDICATORS		ACTUAL DEC 2008	FORECASTS JUN 2009	FORECASTS DEC 2009	FORECASTS JUN 2010	ACTUAL 2008	FORECASTS 2009	FORECASTS 2010
5. Industrial Production (2002=100)	28	102.4	96.4	96.3	97.7	108.8	97.0	97.9
6. Total Private Housing Starts (annual rate, millions)	28	0.556	0.494	0.574	0.704	0.900	0.522	0.753
7. Producer Prices - Finished Goods (index level)	26	169.7	170.6	172.0	173.8	177.3	171.0	173.1
8. Consumer Price Index (CPI-U) (index level)	29	211.6	213.3	214.8	217.0	215.2	213.6	217.2
9. Unemployment Rate (percent)	29	7.2	9.3	9.9	9.8	5.8	9.1	9.7
10. Average Weekly Earnings in Mfg. (\$)	11	727.8	703.0	704.6	711.3	724.3	708.2	715.0
11. Retail Trade (\$ billions)	18	336.4	338.8	344.0	354.1	367.0	341.3	354.7
12. Automobile Sales (incl. foreign) (annual rate, millions)	20	5.2	4.9	5.4	5.9	6.7	5.0	6.1

TABLE ONE (CONTINUED)

INTEREST RATES & STOCK PRICES (end of period)		ACTUAL	FORECASTS			
		DEC 2008	JUN 2009	DEC 2009	JUN 2010	DEC 2010
13. Prime Interest Rate (percent)	28	3.25	3.25	3.25	3.42	4.13
14. 10-Year Treasury Note Yield (percent)	29	2.25	3.35	3.75	4.00	4.28
15. 3-Month Treasury Bill Rate (percent)	29	0.11	0.20	0.30	0.54	1.19
16. Stock Prices (S&P500) (index level)	18	903.3	935.8	1000.0	1049.4	1115.0

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, June 2009

TABLE TWO  
 MAJOR MACROECONOMIC INDICATORS, 2009-2010  
 PERCENTAGE CHANGES AT ANNUAL RATES

QUARTERLY INDICATORS	NUMBER OF FORE- CASTERS	Q4 2008	Q2 2009	Q4 2009	2008	2009
		TO Q2 2009	TO Q4 2009	TO Q2 2010	TO 2009	TO 2010
1. Real Gross Domestic Product	32	-3.9	1.1	2.6	-2.8	1.9
2. Nominal Gross Domestic Product	32	-2.2	2.7	4.1	-1.2	3.6
3. Nonresidential Fixed Investment	30	-27.7	-8.4	1.6	-19.5	-1.9
4. Corporate Profits After Taxes	22	-3.8	5.7	9.7	-11.6	7.5
MONTHLY INDICATORS		DEC 2008	JUN 2009	DEC 2009	2008	2009
		TO JUN 2009	TO DEC 2009	TO JUN 2010	TO 2009	TO 2010
5. Industrial Production	28	-11.4	0.0	2.8	-10.9	1.0
6. Total Private Housing Starts	28	-0.062	0.080	0.130	-0.378	0.231
7. Producer Prices - Finished Goods	26	1.1	1.6	2.1	-3.6	1.3
8. Consumer Price Index (CPI-U)	29	1.6	1.4	2.1	-0.7	1.7
9. Unemployment Rate	29	2.1	0.6	-0.1	3.3	0.6
10. Average Weekly Earnings in Mfg.	11	-6.7	0.5	1.9	-2.2	1.0
11. Retail Trade	18	1.4	3.1	6.0	-7.0	3.9
12. Automobile Sales (incl. foreign)	20	-0.3	0.5	0.5	-1.7	1.0

		DEC 2008 TO JUN 2009	JUN 2009 TO DEC 2009	DEC 2009 TO JUN 2010	JUN 2010 TO DEC 2010
INTEREST RATES & STOCK PRICES					
13. Prime Interest Rate	28	0.00	0.00	0.17	0.70
14. 10-Year Treasury Note Yield	29	1.10	0.40	0.25	0.28
15. 3-Month Treasury Bill Rate	29	0.09	0.10	0.24	0.65
16. Stock Prices (S&P500)	18	7.3	14.2	10.1	12.9

Note: Figures for housing starts, unemployment rate, auto sales, prime interest rate, 30-year Treasury bond, and 90-day Treasury bill are changes in levels. All others are percentage changes at annual rates.

Source: Research Department, Federal Reserve Bank of Philadelphia, Livingston Survey, June 2009

TABLE THREE  
LONG-TERM (10 YEAR) FORECASTS

---

SERIES: CPI Inflation Rate

---

STATISTIC	
Minimum	1.00
Lower Quartile	1.99
Median	2.45
Upper Quartile	2.80
Maximum	3.50
Mean	2.36
Std. Deviation	0.60
N	31
Missing	1

---

---

SERIES: Real GDP

---

STATISTIC	
Minimum	2.00
Lower Quartile	2.40
Median	2.68
Upper Quartile	2.95
Maximum	3.50
Mean	2.68
Std. Deviation	0.38
N	31
Missing	1

---